

Financial Report 2023

For the Year Ended
March 31, 2023

Fujitec Co., Ltd.

1. Consolidated Financial Statements

(1) [Consolidated Balance Sheets]

a. [Consolidated Balance Sheets]

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	76,956	58,297
Notes and accounts receivable-trade, and contract assets	*1 66,123	*1,*2 75,545
Merchandise and finished goods	3,812	4,968
Work in process	2,281	*2 3,303
Raw materials and supplies	9,004	*2 12,382
Other	8,213	7,771
Allowance for doubtful accounts	(3,119)	(3,135)
Total current assets	163,273	159,132
Fixed assets		
Property, plant and equipment		
Buildings and structures	*2 37,437	*2 39,870
Accumulated depreciation	(18,329)	(19,801)
Buildings and structures, net	19,108	20,068
Machinery and equipment	*2 13,758	*2 16,198
Accumulated depreciation	(9,894)	(10,554)
Machinery and equipment, net	3,864	5,644
Tools, furniture and fixtures	8,874	9,851
Accumulated depreciation	(6,439)	(7,111)
Tools, furniture and fixtures, net	2,434	2,739
Land	*2 6,849	*2 7,200
Leased assets	1,252	3,233
Accumulated depreciation	(612)	(1,222)
Leased assets, net	640	2,010
Construction in progress	2,386	843
Total property, plant and equipment	35,283	38,506
Intangible assets		
Goodwill	1,227	1,612
Other	3,609	3,756
Total intangible assets	4,837	5,368
Investments and other assets		
Investments securities	*3 8,356	*3 10,059
Long-term loans receivable	26	1,262
Net defined benefit asset	598	-
Deferred tax assets	4,904	4,850
Other	*3 3,456	*3 11,698
Allowance for doubtful accounts	(127)	(780)
Total investments and other assets	17,215	27,090
Total fixed assets	57,335	70,966
Total assets	220,609	230,098

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,637	18,548
Electronically recorded obligations-operating	3,149	3,904
Short-term debt	*2 3,493	*2 9,789
Current portion of long-term debt	-	6
Accrued income taxes	2,035	1,430
Provision for bonuses	3,288	2,628
Provision for director bonuses	93	46
Provision for losses on construction contracts	10,169	8,568
Provision for warranties for completed construction	1,976	2,086
Provision for shareholder benefit program	78	114
Advances from customers	*1 22,428	*1 21,010
Other	11,342	11,752
Total current liabilities	74,691	79,888
Non-current liabilities		
Long-term debt	381	*2 13
Deferred tax liabilities	84	173
Net defined benefit liability	4,272	4,232
Asset retirement obligations	24	53
Long-term accounts payable - other	179	-
Other	493	1,618
Total non-current liabilities	5,435	6,092
Total liabilities	80,126	85,980
Net assets		
Shareholders' equity		
Paid-in capital	12,533	12,533
Additional paid-in capital	14,474	14,475
Retained earnings	104,649	99,546
Treasury stock	(2,267)	(2,287)
Total Shareholders' equity	129,391	124,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,475	2,426
Deferred gains or losses on hedges	17	(127)
Foreign currency translation adjustments	(5,794)	2,098
Remeasurements of defined benefit plans	(607)	(768)
Total accumulated other comprehensive income	(3,908)	3,629
Stock acquisition rights	35	35
Non-controlling interests	14,964	16,185
Total net assets	140,482	144,118
Total liabilities and net assets	220,609	230,098

b. [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net sales	*1 187,018	*1 207,589
Cost of sales	*3,*7 145,446	*3,*7 165,430
Gross profit	41,572	42,158
Selling, general and administrative expenses	*2,*3 27,794	*2,*3 30,538
Operating income	13,777	11,619
Other income		
Interest income	874	1,175
Dividend income	372	235
Foreign exchange gains	407	649
Rent income	145	154
Miscellaneous income	535	425
Total other income	2,336	2,641
Other expenses		
Interest expenses	94	185
Provision of allowance for doubtful accounts	176	571
Commission for purchase of treasury shares	-	93
Miscellaneous loss	130	77
Total other expenses	400	928
Ordinary income	15,713	13,332
Special gain		
Gain on sales of property, plant and equipment	*4 63	*4 16
Gain on sales of investment securities	200	10
Subsidy income	610	268
Total special gain	874	295
Special loss		
Loss on sales of property, plant and equipment	*5 85	*5 5
Loss on retirement of property, plant and equipment	*6 12	*6 37
Impairment loss	30	*8 1,146
Loss on sales of investment securities	-	0
Loss on valuation of investment securities	40	0
Loss on valuation of shares of subsidiaries and associates	43	1
Loss on valuation of investments in capital of subsidiaries and associates	22	-
Loss related to infectious diseases	85	-
Total special loss	319	1,190
Profit before income taxes	16,268	12,436
Income taxes expense	4,007	2,474
Deferred taxes expense	298	523
Total income taxes	4,306	2,998
Profit	11,961	9,438
Profit attributable to non-controlling interests	1,125	1,005
Profit attributable to owners of parent	10,835	8,433

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Profit	11,961	9,438
Other comprehensive income		
Valuation difference on available-for-sale securities	(205)	(49)
Deferred gains or losses on hedges	53	(172)
Foreign currency translation adjustments	10,041	9,953
Remeasurements of defined benefit plans	34	(162)
Total other comprehensive income	*1,*2 9,923	*1,*2 9,568
Comprehensive income	21,885	19,007
Comprehensive income attributable to:		
Owners of parent	18,828	17,113
Non-controlling interests	3,056	1,894

c. [Consolidated Statements of Changes in Shareholders' Equity]

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the previous fiscal year	12,533	14,474	102,516	(5,206)	124,318
Cumulative effects of changes in accounting policies			140		140
Restated balance	12,533	14,474	102,657	(5,206)	124,459
Changes during the previous fiscal year					
Changes in ownership interest of parent due to transactions with non-controlling interests		0			0
Dividends from surplus			(5,298)		(5,298)
Changes in scope of consolidation					-
Profit attributable to owners of parent			10,835		10,835
Purchases of treasury stock				(1,004)	(1,004)
Disposal of treasury stock		15		382	398
Cancellation of treasury stock		(3,560)		3,560	-
Transfer from retained earnings to capital surplus		3,545	(3,545)		-
Net changes of items other than shareholders' equity					
Total changes during the previous fiscal year	-	0	1,992	2,938	4,931
Balance at the end of the previous fiscal year	12,533	14,474	104,649	(2,267)	129,391

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the previous fiscal year	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,264
Cumulative effects of changes in accounting policies								140
Restated balance	2,681	(27)	(13,913)	(641)	(11,901)	35	12,812	125,405
Changes during the previous fiscal year								
Changes in ownership interest of parent due to transactions with non-controlling interests								0
Dividends from surplus								(5,298)
Changes in scope of consolidation								-
Profit attributable to owners of parent								10,835
Purchases of treasury stock								(1,004)
Disposal of treasury stock								398
Cancellation of treasury stock								-
Transfer from retained earnings to capital surplus								-
Net changes of items other than shareholders' equity	(205)	44	8,119	34	7,993	-	2,152	10,145
Total changes during the previous fiscal year	(205)	44	8,119	34	7,993	-	2,152	15,077
Balance at the end of the previous fiscal year	2,475	17	(5,794)	(607)	(3,908)	35	14,964	140,482

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the current fiscal year	12,533	14,474	104,649	(2,267)	129,391
Change during the current fiscal year					
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Dividends from surplus			(6,427)		(6,427)
Changes in scope of consolidation			1,470		1,470
Effect of hyperinflation			(19)		(19)
Profit attributable to owners of parent			8,433		8,433
Purchases of treasury stock				(8,932)	(8,932)
Disposal of treasury stock		7		345	352
Cancellation of treasury stock		(8,567)		8,567	-
Transfer from retained earnings to capital surplus		8,560	(8,560)		-
Net changes of items other than shareholders' equity					
Total changes during the current fiscal year	-	0	(5,103)	(19)	(5,122)
Balance at the end of the current fiscal year	12,533	14,475	99,546	(2,287)	124,268

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current fiscal year	2,475	17	(5,794)	(607)	(3,908)	35	14,964	140,482
Change during the current fiscal year								
Change in ownership interest of parent due to transactions with non-controlling interests								0
Dividends from surplus								(6,427)
Changes in scope of consolidation								1,470
Effect of hyperinflation								(19)
Profit attributable to owners of parent								8,433
Purchases of treasury stock								(8,932)
Disposal of treasury stock								352
Cancellation of treasury stock								-
Transfer from retained earnings to capital surplus								-
Net changes of items other than shareholders' equity	(49)	(144)	7,892	(161)	7,537	-	1,220	8,758
Total changes during the current fiscal year	(49)	(144)	7,892	(161)	7,537	-	1,220	3,635
Balance at the end of the current fiscal year	2,426	(127)	2,098	(768)	3,629	35	16,185	144,118

d. [Consolidated Statements of Cash Flows]

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	16,268	12,436
Depreciation and amortization	3,343	4,029
Impairment loss	30	1,146
Increase (decrease) in allowance for doubtful accounts	429	294
Increase (decrease) in provision for bonuses to employees	(516)	(785)
Increase (decrease) in provision for loss on construction contracts	1,638	(2,306)
Interest and dividend income	(1,247)	(1,411)
Interest expenses	94	185
Decrease (increase) in notes and accounts receivable-trade	245	(4,281)
Decrease (increase) in inventories	(1,569)	(4,283)
Increase (decrease) in notes and accounts payable-trade	(2,226)	870
Loss (gain) on sales of investment securities	(200)	(10)
Increase (decrease) in advances received	226	(3,354)
Loss (gain) on sales and retirement of property, plant and equipment	33	25
Increase (decrease) in net defined benefit liability	287	49
Loss (gain) on valuation of investment securities	40	0
Other, net	(1,114)	(1,153)
Subtotal	15,763	1,453
Income taxes paid	(5,917)	(3,799)
Net cash provided by (used in) operating activities	9,846	(2,346)
Cash flows from investing activities		
Payments into time deposits	(18,925)	(17,503)
Proceeds from withdrawal of time deposits	16,875	25,879
Purchase of property, plant and equipment	(3,262)	(3,723)
Proceeds from sales of property, plant and equipment	471	32
Purchase of investment securities	(2)	(1,805)
Proceeds from sales of investment securities	245	46
Purchase of intangible assets	(207)	(233)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,756)
Collection of loans receivable	62	177
Interest and dividends received	1,218	1,116
Other, net	(469)	(281)
Net cash provided by (used in) investing activities	(3,994)	1,949

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	926	5,775
Proceeds from long-term borrowings	-	0
Repayments of long-term borrowings	(428)	(383)
Purchase of treasury shares	(1,004)	(8,559)
Interest paid	(68)	(152)
Cash dividends paid	(5,275)	(6,414)
Dividends paid to non-controlling interests	(779)	(806)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3)	(1)
Other, net	112	(128)
Net cash provided by (used in) financing activities	(6,520)	(10,670)
Effect of exchange rate change on cash and cash equivalents	3,870	3,279
Net increase (decrease) in cash and cash equivalents	3,202	(7,788)
Cash and cash equivalents at the beginning of the fiscal year	35,840	39,042
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	209
Cash and cash equivalents at the end of the fiscal year	*1 39,042	*1 31,463

[Notes to consolidated financial statements]

(Material basis for preparing consolidated financial statements)

1. Scope of consolidation

(a) Number of consolidated subsidiaries: 23

Major consolidated subsidiaries:

Fujitec America, Inc. (U.S.A.)

Fujitec Singapore Corpn. Ltd. (Singapore)

Huasheng Fujitec Elevator Co., Ltd. (China)

Fujitec (HK) Co. Ltd. (Hong Kong)

FUJITEC ARGENTINA S.A. was included in the scope of consolidation for the current fiscal year due to its increased importance. In addition, Express Lifts Limited was included in the scope of consolidation as it became a new subsidiary following the acquisition of all its outstanding shares through FUJITEC INDIA PRIVATE LTD., a wholly owned subsidiary of the Group. Express Lifts Limited changed its name to Fujitec Express Limited on April 20, 2023.

(b) Major non-consolidated subsidiaries

Major non-consolidated subsidiaries

Fujitec Saudi Arabia Co., Ltd. (Saudi Arabia)

(Reasons for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in size and combined total assets, net sales, net income/loss (the Company's interest share), and retained earnings (the Company's interest share) of said subsidiaries do not have a material impact on the consolidated financial statements.

2. Application of the equity method

(a) Non-consolidated subsidiaries accounted for under the equity method: 0 company

(b) Affiliates accounted for under the equity method: 0 company

(c) Non-consolidated subsidiaries not accounted for by the equity method (Fujitec Saudi Arabia Co., Ltd. and others) are excluded from the scope of equity method accounting because net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) of said subsidiaries have a minimal effect on the consolidated financial statements and are not significant as a whole.

3. Fiscal years of consolidated subsidiaries

The fiscal year end of all consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, the Company use the financial statements of these subsidiaries as of that date. Any adjustments necessary for consolidation are made for significant transactions that occurred between that date and the consolidated fiscal year-end.

4. Summary of Significant accounting policies

(a) Valuation standards and methods for significant assets

i. Valuation standards and methods for securities

Stock of non-consolidated subsidiaries: Cost method based on the moving average method

Other securities

Items other than stocks, etc., with no market price: Fair value method (valuation differences charged or credited directly to net assets, and cost of sales is calculated by the moving-average method)

Stocks, etc., with no market price: Cost method based on the moving average method

ii. Valuation standards and methods for derivatives: Fair value method

iii. Valuation standards and methods for inventories:

Mainly, the company calculates costs via the specific identification method or weighted average method

(Values on the balance sheet are calculated via the book value reduction method based on decreased profitability.)

(b) Depreciation/amortization method for significant depreciable/amortizable assets

i. Property, plant and equipment (excluding leased assets)

Mainly, the company uses the straight-line method.

Note that the most common useful economic life periods are as follows.

Buildings and structures	3-60 years
Machinery and equipment	2-20 years
Tools, furniture and fixtures	2-20 years

ii. Intangible assets (excluding leased assets)

The company uses the straight-line method.

Note that for internal-use software, the Company uses the straight-line method based on the period of internal use (5 years).

iii. Leased assets

Lease assets related to finance lease transactions without transfer of ownership

The Company uses the straight-line method, with the lease period as the useful economic life and zero residual value.

Note that some overseas subsidiaries prepare financial statements based on IFRS or U.S. GAAP, and apply IFRS 16 (Leases) or ASU 2016-02 (Leases). Under IFRS 16 or ASU 2016-02 for lessees, in principle, all leases are recorded as assets and liabilities on the balance sheet.

(c) Standards for the recognition of significant allowances

i. Allowance for doubtful accounts

To prepare for bad debt expenses accounts receivable, loans receivable, etc., the Company provides an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and the estimated amount of irrecoverable debt is booked based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

ii. Provision for bonuses

The company provides an allowance for the payment of bonuses to employees based on the estimated payment amount.

iii. Provision for director bonuses

The company provides an allowance for the payment of bonuses to directors based on the estimated payment amount.

iv. Provision for losses on construction contracts

To provide for future losses on construction contracts, the Company records estimated losses on construction contracts that have not been delivered as of the end of the current consolidated fiscal year, for which losses are expected and the amount of said losses can be reasonably estimated.

v. Provision for warranties for completed construction

To provide for warranty expenses related to completed construction, the Company estimates the amount of warranty expenses expected to be incurred in the future and records an amount representing a percentage of sales of completed construction.

vi. Provision for shareholder benefit program

The Company records an allowance for expenses expected to be incurred under the shareholder benefit program.

(d) Accounting treatment for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount equal to the projected retirement benefit obligation less pension assets, based on the estimated amount of retirement benefits as of the end of the current consolidated fiscal year.

i. Method of attributing projected retirement benefits to fiscal periods

When calculating retirement benefit obligations, the Company uses a method of attributing retirement benefits to the period through the end of the current consolidated fiscal year based on the benefit calculation method.

ii. Method of amortizing actuarial gains and losses and prior service cost

Actuarial gains and losses are calculated under the straight-line method over a specified number of years (10 years) within the average remaining service period of employees as of the consolidated fiscal year in which the difference arose, and

prorated and expensed in the consolidated fiscal year following the year in which such differences occurred.

Prior service costs are amortized by the straight-line method over a specified number of years (10 years) within the average remaining service period of employees at the time the cost is incurred.

Unrecognized actuarial gains and losses and unrecognized prior service cost are adjusted for tax effect, and then included in net assets as remeasurements of defined benefit plans under other accumulated comprehensive income.

Certain consolidated subsidiaries adopt a simplified method for the calculation of net defined benefit liability and retirement benefit expenses, using the amount payable at the end of the fiscal year for retirement benefits as the retirement benefit obligation.

(e) Basis for recognition of significant revenues and expenses

The major performance obligations in the principal operations of the Company and its consolidated subsidiaries related to revenues arising from contracts with customers and the general timing at which such performance obligations are satisfied (usual timing for revenue recognition) are as follows.

i. New installation work

The Company performs new installation work on elevators, escalators, and other equipment. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs. In addition, certain foreign subsidiaries recognize revenues from sales of equipment and installation of equipment under an integrated contract at a single point in time when the equipment is delivered to the customer, and recognize revenues related to the installation of the equipment based on percentage of completion related to the satisfaction of performance obligations over a specified period of time.

The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

ii. Modernization projects

The Company performs modernization work for elevators, escalators, and other equipment. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measures progress based on the percentage of construction costs incurred by the end of each reporting period compared with the total expected construction costs.

iii. Maintenance

The Company provides maintenance services for elevators, escalators, and other equipment. The Company recognizes revenue for such contracts based on the percentage of completion related to the satisfaction of performance obligations over a specified period of time. The Company measure progress for these services based on elapsed time.

iv. Repairs

The Company performs repair work on elevators, escalators, and other equipment. The Company recognizes revenue for such contracts at the point in time in which work is completed.

(f) Standards for translating material foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate on the balance sheet date and translation differences posted as profit or loss for the current period.

The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the balance sheet date, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments or non-controlling interests under net assets.

However, income and expenses of foreign subsidiaries in hyperinflationary economies are translated into yen at the spot exchange rate on the balance sheet date in order to apply IAS 29, "Financial Reporting in Hyperinflationary Economies".

In the event of significant changes in exchange rates between the balance sheet date of foreign subsidiaries and the consolidated balance sheet date, balance sheet items of the foreign subsidiaries and affiliates are translated into yen at the exchange rates prevailing as of the consolidated balance sheet date.

(g) Important hedge accounting methods

i. Hedge accounting method

As a rule, the Company uses deferral hedge accounting.

ii. Hedge accounting methods and hedged items

Hedge accounting methods

Hedged items

Forward exchange contracts

Expected foreign-currency transactions

iii. Hedging policy

The finance division of each company enters into derivative transactions for the purpose of hedging risks, hedging within a certain range the interest rate fluctuation risks and foreign exchange fluctuation risks associated with hedged items.

iv. Evaluation of hedge effectiveness

The Company compares cumulative cash flow variations for hedged items and hedge accounting methods with market fluctuation on a semi-annual basis, and assesses the effectiveness of hedges based on the amounts of variation in both cases.

(h) Goodwill amortization method and period

The Company amortizes goodwill on a straight-line method over 11 or 14 years.

(i) Scope of funds reported on the consolidated statement of cash flows

The company reports cash on hand, deposits drawable at will, deposits readily convertible to cash, and price change-insensitive short-term investments whose redemption period is within three months.

(j) Other significant matters for preparing consolidated financial statements

Not applicable.

(Significant accounting estimates)

The following are estimated items expected to have a particularly large impact on the Company's consolidated financial statements in the following fiscal year.

Provision for losses on construction contracts

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Provision for losses on construction contracts	10,169	8,568

(2) Information related to details of significant accounting estimates for specific items

The Group recognizes estimated losses on undelivered construction contracts at the end of the consolidated fiscal year when it is probable that the total construction costs, of such construction will exceed the amount of the revenue and when the expected loss can be reasonably estimated. Calculations of the total construction costs are based on information available, including contract details and past cost performance of identical models. The assumptions used in the calculations are subject to continuous verification and revisions of estimates, since assumptions vary due to various factors, including contract changes, construction conditions, and trends in material and subcontracting costs.

Revisions to these estimates and actual production costs that differ from estimates may have a significant impact on the provision for losses on construction contracts and gross profit in the following consolidated fiscal year.

(Changes in Accounting Policies)

(Adoption of Accounting Standards Update (ASU) 2016-02, Leases)

Effective as of current consolidated fiscal year, one Fujitec Group subsidiary utilizing U.S. GAAP has adopted ASU 2016-02, Leases. As a result, in principle, all leases are recorded as assets and liabilities on the balance sheet by lessees. The adoption of this accounting standards update has not had a material impact on the consolidated financial statements.

(Unapplied accounting standards)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

Determine the tax treatment of income taxes on sales of shares of subsidiaries and other securities in instances where other comprehensive income is subject to taxation, this other comprehensive income tax is booked as income taxes, and group corporate taxation is applied.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of application of the aforementioned accounting standards

As of the preparation of these consolidated financial statements, the amount of impact is under evaluation.

(Changes in Presentation Methods)

(Consolidated statements of cash flows)

“Impairment loss”, which was included in “other” under net cash provided by (used in) operating activities in the previous consolidated fiscal year, has been presented separately for the current consolidated fiscal year due to increased materiality of the figure in question. The Company have classified the financial statements of the previous consolidated fiscal year to reflect this change in presentation method.

As a result, the amount of (1,083) million yen presented as “other” under net cash provided by (used in) operating activities in the previous consolidated fiscal year is now presented as “impairment loss” of 30 million yen and “other” of (1,114) million yen.

(Supplemental Information)

(Transaction to deliver Fujitec Co., Ltd. shares to employees, etc. via trust)

At a meeting held November 6, 2020, the Fujitec Co., Ltd. board of directors resolved to adopt a Trust-Type Employee Shareholding Incentive Plan (E-Ship; “Plan”). The purpose of this plan is to incentivize employees to raise corporate value over the medium and long term, to expand employee welfare benefits, and to encourage steady company growth by motivating employees through equity participation.

(1) Outline of the transaction

The Plan is a Trust-Type Employee Shareholding Incentive Plan (E-Ship) available to all employees who participate in the Fujitec Employee Shareholding Association (“Shareholding Association”). Under the Plan, the company will establish the Fujitec Employee Shareholding Association Trust (“Trust”) within a trust bank with whom the company has a business relationship. The Trust will acquire company stock that the Shareholding Association is expected to acquire over the next five years via third party allotment, leveraging borrowings from the company’s transaction financial institutions as the source of funds. Thereafter, the Trust will sell the company shares in question to the Shareholding Association on an ongoing basis. If, upon the conclusion of the Trust, the Trust has accumulated an amount equivalent to a gain on sale of stock, such amount equivalent to said gain shall be distributed as residual assets to those persons meeting requirements as beneficiaries. Fujitec Co., Ltd. will guarantee the loans used to acquire company shares by the Trust. Therefore, if the Trust accumulates an amount equivalent to a loss on sale of stock and the Trust has accumulated a debt balance equivalent to such loss on the sale of company stock at the conclusion of the Trust, the company will repay the remaining debt in question.

(2) Shares of the company remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets at the carrying value of the Trust (excluding incidental expenses). The carrying value and number of shares of the treasury stock in question amounted to 442 million yen and 197 thousand shares for the previous consolidated fiscal year, and 115 million yen and 51 thousand shares for the current consolidated fiscal year.

(3) Carrying value of borrowings recorded via application of the gross method

Previous consolidated fiscal year: 381 million yen; current consolidated fiscal year: Not applicable

(Hyperinflation Accounting)

The Company applied IAS 29, “Financial Reporting in Hyperinflationary Economies”, for adjustments in connection with the consolidation of the financial statements of Fujitec Argentina S.A., an entity included in the scope of consolidation in the current consolidated fiscal year. The economy of Argentina indicated a cumulative inflation rate exceeding 100% over a three-year period.

(Consolidated balance sheets)

*1 The amount of receivables and contract assets from contracts with customers among notes and account receivable-trade and contract assets, and the amount of contract liabilities among advances from customers are as described under 3.(1) Balance of contract assets, contract liabilities, etc. in the Notes to Consolidated Financial Statements.

*2 Collateral assets and secured debt

The following describes assets pledged as collateral and secured debts.

	(Millions of yen)	
	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Notes and accounts receivable-trade, and contract assets	-	346
Work in process	-	24
Raw materials and supplies	-	147
Buildings and structures	2,154	2,318
Machinery and equipment	84	75
Land	258	529
Total	2,497	3,441

	(Millions of yen)	
	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Short-term debt	83	654
Long-term debt	-	13

*3 The following describes items related to non-consolidated subsidiaries and affiliated companies.

	(Millions of yen)	
	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Investments securities (stock)	579	2,244
Investments and other assets, other (investments in capital)	656	708

(Consolidated statements of income)

*1 Revenues arising from contracts with customers

The Company do not separately provide revenues as revenues arising from contracts with customers and other revenues. The amounts of revenues arising from contracts with customers are presented in Notes to consolidated financial statements (revenue recognition) 1. Disaggregation of revenues arising from contracts with customers.

*2 The following describes the major components of selling, general and administrative expenses.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Salaries and allowances	10,245	11,559
Provision for bonuses	2,416	2,559
Provision for director bonuses	93	46
Retirement benefit expenses	531	517
Provision of allowance for doubtful accounts	436	93
Provision of allowance for shareholder benefits	78	114

*3 Total research and development expenses included in general and administrative expenses and manufacturing expenses for the period under review are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
	2,662	2,590

*4 The details of gain on sales of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Buildings and structures	48	-
Machinery and equipment	4	10
Tools, furniture and fixtures	3	0
Leased assets	7	6
Total	63	16

*5 The details of loss on sales of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Machinery and equipment	1	5
Tools, furniture and fixtures	1	0
Land	78	-
Leased assets	3	-
Total	85	5

*6 The details of loss on retirement of property, plant and equipment are as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Buildings and structures	3	21
Machinery and equipment	1	4
Tools, furniture and fixtures	6	11
Leased assets	0	-
Construction in progress	0	-
Total	12	37

*7 The provision for loss on construction contracts included in cost of sales is as follows.

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
	9,718	6,470

*8 Impairment loss

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

There were no significant impairment loss.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

Significant impairment losses are as follows

Place	Usage	Class	Impairment loss (millions of yen)
The U.K.	-	Goodwill	1,046

The Group's assets are grouped based on management accounting categories in which profit and loss are continuously monitored.

As a result of reviewing the business plan of Amalgamated Lifts Limited, the Company reduced the carrying value of goodwill arising from the acquisition of shares of Amalgamated Lifts Limited to the recoverable amount because the Company no longer expects the goodwill to generate the initially anticipated earnings. The recoverable amount is measured from value in use, which is calculated by discounting future cash flows at a rate of 13.3%.

Impairment losses other than the above are not significant and are therefore omitted.

(Consolidated statements of comprehensive income)

*1 Reclassifications and adjustments related to other comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	(141)	32
Reclassifications and adjustments	(159)	(9)
Total	(300)	23
Deferred gains or losses on hedges		
Gains (losses) arising during the year	54	(168)
Reclassifications and adjustments	(0)	(4)
Total	53	(172)
Foreign currency translation adjustments		
Gains (losses) arising during the year	10,041	9,953
Reclassifications and adjustments	-	-
Total	10,041	9,953
Remeasurements of defined benefit plans		
Gains (losses) arising during the year	(196)	(468)
Reclassifications and adjustments	209	132
Total	13	(335)
Total tax effect adjustments	9,807	9,467
Tax effect	116	100
Total other comprehensive income	9,923	9,568

3. Stock acquisition rights

Company Name	Details	Class of shares eligible for stock acquisition rights	Number of shares eligible (shares)				Balance at the end of the year (consolidated) (Millions of yen)
			Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)	
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on November 8, 2013	-	-	-	-	-	21
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2014	-	-	-	-	-	11
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2015	-	-	-	-	-	2
Total			-	-	-	-	35

4. Dividends

(1) Cash dividends paid

Resolution	Class of stock	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 22, 2021	Common stock	3,260	40.00	March, 31, 2021	June 23, 2021
Board of Directors Meeting on November 10, 2021	Common stock	2,037	25.00	September 30, 2021	December 1, 2021

(Notes) 1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 22, 2021 included 14 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

2. The total amount of dividends resolved at the Board of Directors Meeting on November 10, 2021 included 6 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

(2) Dividends with a record date during the current consolidated fiscal year, but an effective date subsequent to the current fiscal year

Resolution	Class of stock	Source of Dividend	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 23, 2022	Common stock	Retained earnings	3,652	45.00	March, 31, 2022	June 24, 2022

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2022 included 8 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

1. Issued shares

Class of stock	Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)
Common stock (thousand shares)	82,400	-	3,500	78,900

(Summary of reasons for change)

The following provides details of increases and decreases.

Cancellation of treasury stock by resolution of the Board of Directors on February 8, 2023: 3,500 thousand shares

2. Treasury stock

Class of stock	Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)
Common stock (thousand shares)	1,434	3,147	3,654	927

(Note) The number of shares of common stock in treasury stock at the end of the current consolidated fiscal year was 51 thousand shares of Company stock held as a Trust-Type Employee Stock Ownership Incentive Plan (E-Ship), and 876 thousand shares due to the acquisition of treasury stock.

(Summary of reasons for change)

The following provides details of increases and decreases.

Increase due to purchase of fractional shares: 0 thousand shares
 Acquisition of treasury stock by resolution of the Board of Directors on March 1, 2022: 3,147 thousand shares
 Disposal of treasury stock by resolution of the Board of Directors on July 22, 2022: 8 thousand shares
 Cancellation of treasury stock by resolution of the Board of Directors on February 8, 2023: 3,500 thousand shares
 Decrease due to the sale of shares to the Trust-Type Employee Shareholding Incentive Plan (E-Ship): 146 thousand shares

3. Stock acquisition rights

Company Name	Details	Class of shares eligible for stock acquisition rights	Number of shares eligible (shares)				Balance at the end of the year (consolidated) (Millions of yen)
			Beginning of the fiscal year (consolidated)	Increase	Decrease	End of the fiscal year (consolidated)	
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on November 8, 2013	-	-	-	-	-	21
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2014	-	-	-	-	-	11
FUJITEC CO., LTD.	Stock acquisition rights as stock options resolved by the Board of Directors on August 7, 2015	-	-	-	-	-	2
Total			-	-	-	-	35

4. Dividends

(1) Cash dividends paid

Resolution	Class of stock	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 23, 2022	Common stock	3,652	45.00	March, 31, 2022	June 24, 2022
Board of Directors Meeting on November 8, 2022	Common stock	2,775	35.00	September, 30, 2022	December 1, 2022

- (Notes) 1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 23, 2022 included 8 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).
 2. The total amount of dividends resolved at the Board of Directors Meeting on November 8, 2022 included 4 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).

(2) Dividends with a record date during the fiscal year, but an effective date subsequent to the current consolidated fiscal year

Resolution	Class of stock	Source of Dividend	Total Dividend Value (Millions of yen)	Dividend per Share (Yen)	Record date	Effective Date
Ordinary General Meeting of Shareholders on June 21, 2023	Common stock	Retained earnings	3,120	40.00	March, 31, 2023	June 21, 2023

- (Notes) 1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 21, 2023 included 2 million yen in dividends for Company shares held for the Trust-Type Employee Shareholding Incentive Plan (E-Ship).
 2. Dividends per share include a commemorative dividend of 5 yen per share for the 75th anniversary of the Company's founding.

(Consolidated statements of cash flows)

*1 The relationship between the period-end balance in cash and deposits and items listed on the consolidated balance sheet is as follows.

	(Millions of yen)	
	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash and deposits	76,956	58,297
Time deposits with maturities of more than three months	(37,914)	(26,833)
Cash and cash equivalents	39,042	31,463

(Lease transactions)

1. Finance lease transactions

Finance lease transactions without transfer of ownership

(1) Lease asset details

Property, plant and equipment

Property, plant and equipment are mainly office buildings (buildings and structures), business vehicles (machinery, equipment and vehicles), production facilities (machinery, equipment and vehicles) and office fixtures (tools, furniture and fixtures).

(2) Depreciation method for lease assets

Depreciation for lease assets is as described under Material basis for preparing consolidated financial statements 4. Summary of Significant accounting policies (b) Depreciation/amortization method for significant depreciable/amortizable assets.

2. Operating lease transactions

Future minimum lease payments for noncancelable operating leases

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Due within one year	1,176	1,563
Over one year	1,524	3,325
Total	2,700	4,889

(Financial instruments)

1. Matters on the status of financial instruments

(1) Policy on financial instruments

The Fujitec Group raises funds for capital investment needs for the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment through internal funds or debt financing. Cash surpluses are invested in highly secure financial assets, and short-term operating funds are financed by internal funds or short-term debt financing. Derivatives financial instruments are used to mitigate the risk of foreign exchange or interest rate fluctuations, and the Company's policy is to not engage in speculative transactions.

(2) Details and risks of financial instruments and risk management structure

Notes and accounts receivable-trade are exposed to customer credit risk. The Company manage this risk according to the credit management rules, conducting collection date management and balance management for each customer. The Company also monitor the credit status of major customers on a regular basis. Consolidated subsidiaries engage in similar management. Foreign currency-denominated trade receivables arising from the Group's global operations are exposed to foreign exchange fluctuation risk. The Group use foreign currency forward contracts to hedge fluctuation risk, if necessary. As investment securities, stocks are exposed to market price fluctuation risk. However, the Group owns stocks mainly in companies with which the Group has business relationships. The Group periodically assesses the fair value of these stocks and reviews holdings on an ongoing basis in consideration of relationships with business partners.

As trade payables, trade notes and accounts payable are mainly due within one year. A portion trade notes and accounts payable arising from the import of raw materials, etc., is denominated in foreign currency and is exposed to market risk fluctuation for foreign currency exchange rates. However, the balance of payables denominated in foreign currencies is always less than the balance of receivables denominated in foreign currencies.

Of debt payables, short-term debt is mainly related to operating activities and long-term debt is incurred mainly for financing necessary capital investments.

Derivatives consists of foreign currency forward contracts used to manage the market risk of fluctuations in foreign currency exchange rates. The finance departments of each Group company enters into derivative transactions for the purpose of hedging risks. The results of derivative transactions are reported to the Company's Finance HQ and the director in charge of finance. Derivative transactions are limited to financial institutions with high credit ratings to reduce credit risk.

Hedge accounting methods, hedged items, hedging policies, and evaluations of hedging effectiveness are as described in Material basis for preparing consolidated financial statements 4.(g) Important hedge accounting methods.

(3) Supplementary information on fair values of financial instruments

As fair value calculations for financial instruments incorporate variable factors, values may fluctuate if different assumptions are used. Nominal contract amounts related to derivative transactions under Derivatives in the notes to these financial statements do not indicate the market risk of derivative transactions.

2. Fair value, etc., of financial instruments

The following table describes the carrying amount, fair value, and gains or losses related to financial instruments on consolidated financial statements.

Previous consolidated fiscal year (March 31, 2022)

(Millions of yen)

	Carrying value on consolidated balance sheets	Fair value	Difference
(1) Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*2)	52,494	50,622	(1,871)
(2) Investments securities			
Investments securities, other	7,664	7,664	-
(3) Long-term loans receivable	26	24	(1)
Total assets	60,184	58,311	(1,873)
(1) Notes and accounts payable-trade	16,637	16,637	-
(2) Electronically recorded obligations-operating	3,149	3,149	-
(3) Short-term debt	3,493	3,493	-
(4) Long-term debt	381	381	-
(5) Lease obligations (*4)	630	599	(31)
Total liabilities	24,292	24,261	(31)
Derivatives (*5)			
Derivatives with hedge accounting	21	21	-
Total derivative transactions	21	21	-

(*1) Cash and deposits omitted, as the fair value of cash and deposits approximates carrying value due to the short maturity of deposits.

(*2) Contract assets are not included.

(*3) Stocks, etc., without market prices are not included in (2) Investments securities.

The amounts of relevant financial instruments on the consolidated balance sheet are as follows.

Classification	Previous consolidated fiscal year (Millions of yen)
Unlisted stocks	112
Stocks of subsidiaries and affiliates	579

(*4) Lease obligations included in current liabilities, other and non-current liabilities, other have been combined.

(*5) Net claims and liabilities arising from derivative transactions are presented at net value, and the total of net liabilities are shown in parentheses.

Current consolidated fiscal year (March 31, 2023)

(Millions of yen)

	Carrying value on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits (*1)	66,373	66,229	(144)
(2) Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*2)	59,128	56,914	(2,213)
(3) Investments securities			
Investments securities, other	7,695	7,695	-
(4) Long-term loans receivable (Before deducting allowance for doubtful accounts)	1,262	1,259	(3)
Total assets	134,461	132,099	(2,361)
(1) Notes and accounts payable-trade	18,548	18,548	-
(2) Electronically recorded obligations-operating	3,904	3,904	-
(3) Short-term debt	9,789	9,789	-
(4) Long-term debt (*4)	20	18	(1)
(5) Lease obligations (*5)	2,076	1,963	(112)
Total liabilities	34,339	34,224	(114)
Derivatives (*6)			
Derivatives with hedge accounting	(151)	(151)	-
Total derivative transactions	(151)	(151)	-

(*1) Cash and deposits also includes long-term time deposits (8,076 million yen on the consolidated balance sheets), which are included in other under investments and other assets on the consolidated balance sheets.

(*2) Contract assets are not included.

(*3) Stocks, etc., without market prices are not included in (3) Investments securities.

The amounts of relevant financial instruments on the consolidated balance sheet are as follows.

Classification	Current consolidated fiscal year (Millions of yen)
Unlisted stocks	118
Stocks of subsidiaries and affiliates	2,244

(*4) Current portion of long-term debt under current liabilities and long-term debt under non-current liabilities are combined.

(*5) Lease obligations included in current liabilities, other and non-current liabilities, other have been combined.

(*6) Net claims and liabilities arising from derivative transactions are presented at net value, and the total of net liabilities are shown in parentheses.

(Note1) Scheduled redemption value of monetary claims and securities with maturity dates after the consolidated balance sheet date
Previous consolidated fiscal year (March 31, 2022)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and deposits	76,956	-	-	-
Notes and accounts receivable-trade and contract assets (*)	48,724	3,023	745	-
Long-term loans receivable	0	25	-	-
Total	125,682	3,049	745	-

(*) Contract assets are not included.

Current consolidated fiscal year (March 31, 2023)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and deposits (*1)	58,297	8,076	-	-
Notes and accounts receivable-trade and contract assets (*2)	54,853	4,265	9	-
Long-term loans receivable	1,235	27	-	-
Total	114,386	12,370	9	-

(*1) Long-term time deposits (8,076 million yen on the consolidated balance sheets) included in investments and other assets, other on the consolidated balance sheets are also included.

(*2) Contract assets are not included.

(Note2) Long-term debt, lease obligations, and other interest-bearing debt scheduled after the consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2022)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Short-term debt	3,493	-	-	-
Long-term debt	-	-	-	-
Lease obligations	275	350	4	-
Total	3,769	350	4	-

(Note) Long-term debt of 381 million yen is not included, as this amount represents borrowings under the Trust-Type Employee Shareholding Incentive Plan (E-Ship) and the redemption amount cannot be estimated.

Current consolidated fiscal year (March 31, 2023)

	Within one year (Millions of yen)	Between one and five years (Millions of yen)	Between five and ten years (Millions of yen)	Over ten years (Millions of yen)
Short-term debt	9,789	-	-	-
Long-term debt	6	13	-	-
Lease obligations	560	1,149	366	-
Total	10,356	1,163	366	-

3. Details, etc., of the fair value of financial instruments by level

The Company classifies the fair value of financial instruments into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 Fair Value: Fair value measured using observable inputs that are quoted prices for identified assets or liabilities in active markets

Level 2 Fair Value: Fair value measured using observable inputs other than those included within Level 1.

Level 3 Fair Value: Fair value measured using unobservable inputs.

When multiple inputs that have a significant effect on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments carried at fair value on the consolidated balance sheets

Previous consolidated fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments securities				
Investments securities, other				
Stock	7,664	-	-	7,664
Derivative transactions				
Currency-related derivatives	-	29	-	29
Total assets	7,664	29	-	7,693
Derivative transactions				
Currency-related derivatives	-	8	-	8
Total liabilities	-	8	-	8

Current consolidated fiscal year (March 31, 2023)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments securities				
Investments securities, other				
Corporate bonds	-	43	-	43
Stocks	7,652	-	-	7,652
Total assets	7,652	43	-	7,695
Derivative transactions				
Currency-related derivatives	-	151	-	151
Total liabilities	-	151	-	151

(2) Financial instruments other than those carried at fair value on the consolidated balance sheets

Previous consolidated fiscal year (March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*)	-	50,622	-	50,622
Long-term loans receivable	-	24	-	24
Total assets	-	50,647	-	50,647
Notes and accounts payable-trade	-	16,637	-	16,637
Electronically recorded obligations-operating	-	3,149	-	3,149
Short-term debt	-	3,493	-	3,493
Long-term debt	-	381	-	381
Lease obligations	-	599	-	599
Total liabilities	-	24,261	-	24,261

(*) Contract assets are not included.

Current consolidated fiscal year (March 31, 2023)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Cash and deposits	-	66,229	-	66,229
Notes and accounts receivable-trade and contract assets (Before deducting allowance for doubtful accounts) (*)	-	56,914	-	56,914
Long-term loans receivable (Before deducting allowance for doubtful accounts)	-	1,259	-	1,259
Total assets	-	124,403	-	124,403
Notes and accounts payable-trade	-	18,548	-	18,548
Electronically recorded obligations-operating	-	3,904	-	3,904
Short-term debt	-	9,789	-	9,789
Long-term debt	-	18	-	18
Lease obligations	-	1,963	-	1,963
Total liabilities	-	34,224	-	34,224

(*) Contract assets are not included.

(Note) Explanation of valuation techniques used and inputs related to the calculation of fair value

Investments securities

Listed stocks are valued based on quoted market prices. Since listed stocks are traded in active markets, fair value is classified as Level 1 fair value. Corporate bonds are classified as Level 2 fair value, calculated based on the present value of the estimated amount of principal and interest to be received, reflecting the likelihood of collection and discounted at a safe interest rate for the remaining period.

Derivative transactions

The fair value of forward exchange contracts is classified as Level 2 fair value, as the fair value of forward exchange contracts is based on prices, etc., provided by financial institutions with which the Company enters transactions.

Cash and deposits

Fair values of cash and short-term deposits classified as Level 2 fair value, as these items are settled over a short period of time and fair values approximate carrying value. The fair value of long-term time deposits is classified as Level 2 fair value. The fair value is based on the present value of the estimated amount of principal and interest to be received discounted by the interest rate assumed in the case of a similar new contract.

Notes and accounts receivable-trade, and contract assets

Fair values are classified as Level 2 fair value, as these items are based on the present value of receivables discounted by interest

rates, etc., taking into account the period until maturity and credit risk for each receivable classified by certain periods of time.

Long-term loans receivable

Fair values are classified as Level 2 fair value, calculated based on the present value of the estimated amount of principal and interest to be received, reflecting the likelihood of collection and discounted at a safe interest rate for the remaining period.

Notes and accounts payable-trade, electronically recorded obligations, and short-term debt

Fair values classified as Level 2 fair value, as these items are settled over a short period of time and fair values approximate carrying value.

Long-term debt

Fair value classified as Level 2 fair value, as fair value is calculated by discounting total principal and interest by the rate assumed in the case of a similar new transaction.

Lease obligations

Fair value classified as Level 2 fair value, as fair value is calculated by discounting total principal and interest rate applicable to new similar transactions.

(Investments securities)

1. Trading securities

Previous and current consolidated fiscal years

Not applicable.

2. Held-to-maturity securities

Previous and current consolidated fiscal years

Not applicable.

3. Other securities

Previous consolidated fiscal year (March 31, 2022)

	Class	Carrying value on consolidated balance sheets (Millions of yen)	Purchase price (Millions of yen)	Difference (Millions of yen)
Items whose carrying value on the consolidated balance sheets exceeds purchase price	Stock	6,415	2,682	3,732
	Subtotal	6,415	2,682	3,732
Items whose carrying value on the consolidated balance sheets do not exceed purchase price	Stock	1,249	1,463	(214)
	Subtotal	1,249	1,463	(214)
Total		7,664	4,146	3,518

(Note) These stocks are not included in investments securities, other as unlisted stocks and stocks of subsidiaries and affiliates are carried on the balance sheet at purchase price. The carrying amounts of these stocks on the consolidated balance sheets are as described under Notes to the consolidated financial statements (Financial instruments) 2. Fair value, etc., of financial instruments.

Current consolidated fiscal year (March 31, 2023)

	Class	Carrying value on consolidated balance sheets (Millions of yen)	Purchase price (Millions of yen)	Difference (Millions of yen)
Items whose carrying value on the consolidated balance sheets exceeds purchase price	Stock	6,578	2,708	3,870
	Subtotal	6,578	2,708	3,870
Items whose carrying value on the consolidated balance sheets do not exceed purchase price	Stock	1,073	1,402	(328)
	Bonds	43	43	-
	Subtotal	1,117	1,446	(328)
Total		7,695	4,154	3,541

(Note) These stocks are not included in investments securities, other as unlisted stocks and stocks of subsidiaries and affiliates are carried on the balance sheet at purchase price. The carrying amounts of these stocks on the consolidated balance sheets are as described under Notes to the consolidated financial statements (Financial instruments) 2. Fair value, etc., of financial instruments.

4. Investments securities, other sold during the consolidated fiscal year
Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

Class	Sales proceeds	Total gains on sales	Total losses on sales
Stock	245	200	-
Total	245	200	-

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

Class	Sales proceeds	Total gains on sales	Total losses on sales
Stock	46	10	0
Total	46	10	0

5. Securities subject to impairment losses

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

The Company recognized impairment losses of 40 million yen related to other securities and 43 million yen related to stock of subsidiaries and affiliates.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

The Company recognized impairment losses of 0 million yen related to other securities and 1 million yen related to stock of subsidiaries and affiliates.

(Derivative transactions)

1. Derivative transactions not treated under hedge accounting

Currency-related derivatives

Previous consolidated fiscal year (March 31, 2022)

Not applicable.

Current consolidated fiscal year (March 31, 2023)

Not applicable.

2. Derivative transactions treated under hedge accounting

Currency-related derivatives

Previous consolidated fiscal year (March 31, 2022)

(Millions of yen)

Hedge accounting method	Transaction type	Main hedge items	Contract value	Due after one year	Fair value
Principle method	Foreign currency forward contracts	Expected foreign currency transaction			
	Buying				
	USD		527	201	(3)
	RMB		714	-	25
	Euro		4	-	(0)
Total			1,246	201	21

Current consolidated fiscal year (March 31, 2023)

(Millions of yen)

Hedge accounting method	Transaction type	Main hedge items	Contract value	Due after one year	Fair value
Principle method	Foreign currency forward contracts	Expected foreign currency transaction			
	Buying				
	USD		2,182	743	(92)
	RMB		2,815	1,089	(58)
Total			4,998	1,832	(151)

(Retirement benefits)

1. Overview of retirement benefits plans

The Company and consolidated subsidiaries have adopted both funded and non-funded defined benefit plans, as well as a defined contribution plan to provide for employee retirement benefits.

Of these plans, the Company has adopted a defined benefit pension plan and a lump-sum severance payment plan, while consolidated subsidiaries mainly adopt a lump-sum severance payment plan and a defined contribution pension plan.

Certain consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses using the simplified accounting method.

2. Defined benefit plans

(1) Changes to the balance of retirement benefit obligations at the beginning and end of the period as of March 31, 2023 and 2022 (excluding plans adopting the simplified accounting method)

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Retirement benefit obligations at the beginning of the period	16,410	16,954
Service cost	1,024	1,080
Interest cost	36	74
Actuarial gains and losses	146	(121)
Retirement benefits paid	(698)	(1,018)
Other	35	149
Retirement benefit obligations at the end of the period	16,954	17,119

(2) Changes to the balance of pension assets at the beginning and end of the period as of March 31, 2023 and 2022 (excluding plans adopting the simplified accounting method)

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Pension assets at the beginning of the period	13,105	13,345
Expected return on plan assets	262	266
Actuarial gains and losses	(134)	(589)
Employer contributions	506	501
Retirement benefits paid	(392)	(558)
Pension assets at the end of the period	13,345	12,966

(3) Changes to the balance of net defined benefit liability for plans adopting the simplified accounting method at the beginning and end of the period as of March 31, 2023 and 2022

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net defined benefit liability at the beginning of the period	55	64
Retirement benefit expenses	7	8
Retirement benefits paid	(4)	(2)
Other	5	9
Net defined benefit liability at the end of the period	64	80

(4) Changes to the balance of retirement benefit obligations and pension assets at the end of the period as of March 31, 2023 and 2022, and net defined liabilities and assets recorded in the consolidated balance sheets

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Funded retirement benefit obligations	12,747	12,995
Pension assets	(13,345)	(12,966)
	(598)	29
Non-funded retirement benefit obligations	4,272	4,203
Net liabilities and assets recorded in the consolidated balance sheets	3,673	4,232
Net defined benefit liability	4,272	4,232
Net defined benefit asset	(598)	-
Net liabilities and assets recorded in the consolidated balance sheets	3,673	4,232

(Note) Includes plans adopting the simplified accounting method.

(5) Retirement benefit expenses and details

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Service cost	1,024	1,080
Interest cost	36	74
Expected return on plan assets	(262)	(266)
Amortization of actuarial gains and losses	212	132
Amortization of prior service costs	0	-
Retirement benefit expenses calculated by the simplified accounting method	7	8
Retirement benefit expenses under defined benefit plans	1,019	1,028

(6) Remeasurements of defined benefit plans

The details of remeasurements of defined benefit plans (before deductions of tax effects) are as follows:

	(Millions of yen)	
	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Prior service costs	0	-
Actuarial gains and losses	12	(335)
Total	13	(335)

(7) Cumulative remeasurements of defined benefit plans

The details of cumulative remeasurements of defined benefit plans (before deductions of tax effects) are as follows:

	(Millions of yen)	
	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Unrecognized actuarial gains and losses	879	1,213
Total	879	1,213

(8) Items related to pension assets

a. Details of main pension assets items

Ratios for each main classification of pension assets are as described below.

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Bonds	59%	59%
Stocks	22%	23%
General accounts	5%	5%
Other	14%	13%
Total	100%	100%

b. Method for determining expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company considers current and expected distributions of pension assets and the current and expected long-term rate of return from the various assets that comprise pension assets.

(9) Items related to the basis for actuarial calculations

The main basis for actuarial calculations is as described below.

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Discount rate	0.2%	0.2%
Expected long-term rate of return	2.0%	2.0%

3. Defined contribution plans

Required contributions to defined contribution plans amounted to 97 million yen for the previous consolidated fiscal year and 109 million yen for the current consolidated fiscal year under review.

(Stock options)

1 Stock option details, scope, and variability

(1) Stock option details

Date of Resolution	Classification and Number of Eligible Individuals	Number of stock options by type of stock	Grant date	Vesting terms	Eligible service period	Exercise period
November 8, 2013	4 directors of the Company excluding outside directors	Common stock: 36,000 shares	November 25, 2013	Not granted	Not determined	November 26, 2013 to November 25, 2043
August 7, 2014	4 directors of the Company excluding outside directors	Common stock: 24,000 shares	August 25, 2014	Not granted	Not determined	August 26, 2014 to August 25, 2044
August 7, 2015	4 directors of the Company excluding outside directors	Common stock: 7,000 shares	August 25, 2015	Not granted	Not determined	August 26, 2015 to August 25, 2045

(2) Stock option details, scope, and variability

The Company converted the number of stock options to a number of shares for eligible stock options existing as of the current consolidated fiscal year.

a. Number of stock options

Date of resolution	Unvested Shares (Shares)					Vested Shares (Shares)				
	End of the previous consolidated fiscal year	Granted	Expired	Vested	Balance of unvested shares	End of the previous consolidated fiscal year	Vested	Exercised	Expired	Unexercised
November 8, 2013	-	-	-	-	-	21,000	-	-	-	21,000
August 7, 2014	-	-	-	-	-	14,000	-	-	-	14,000
August 7, 2015	-	-	-	-	-	4,000	-	-	-	4,000

b. Unit price information

Date of Resolution	Exercise Price (yen)	Average Stock Price at Time of Exercise (yen)	Fair Unit Value Price on Grant Date (yen)
November 8, 2013	1	-	1,016
August 7, 2014	1	-	815
August 7, 2015	1	-	696

2. Method of estimating fair value per unit of stock options granted for the fiscal year ended March 31, 2023

Not applicable.

3. Estimation method for number of vested stock options

As there are no vesting terms, all stock acquisition rights are vested when granted.

(Tax effect accounting)

1. Details of deferred tax assets and general deferred tax liabilities by major source

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
(Millions of yen)		
Deferred tax assets		
Tax loss carryforwards (Note) 1	1,982	2,090
Net defined benefit liability	933	1,132
Provision for bonuses	739	567
Provision for losses on construction contracts	1,744	1,622
Allowance for doubtful accounts	790	973
Other	2,598	2,144
Subtotal of deferred tax assets	8,788	8,530
Valuation allowance related to net tax loss carryforwards (Note) 1.	(1,266)	(1,299)
Valuation allowance related to total future deductible amounts, etc.	(777)	(586)
Subtotal of valuation allowances	(2,044)	(1,886)
Total deferred tax assets	6,744	6,643
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,042)	(1,114)
Retained earnings of foreign consolidated subsidiaries	(610)	(446)
Other	(271)	(405)
Total deferred tax liabilities	(1,924)	(1,966)
Deferred tax assets net	4,820	4,677

(Notes) 1. Net tax loss carryforwards and deferred tax assets by carryforward period

Previous consolidated fiscal year (March 31, 2022)

	(Millions of yen)						
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Net tax loss carryforwards (a)	43	100	111	80	88	1,557	1,982
Valuation allowance	(43)	(77)	(88)	(57)	(63)	(934)	(1,266)
Deferred tax assets	-	22	22	22	25	622	715

(a) Net tax loss carryforward is the amount multiplied by the statutory tax rate.

Current consolidated fiscal year (March 31, 2023)

	(Millions of yen)						
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Net tax loss carryforwards (a)	77	47	101	97	250	1,515	2,090
Valuation allowance	(75)	(31)	(60)	(46)	(177)	(908)	(1,299)
Deferred tax assets	2	16	41	50	73	606	790

(a) Net tax loss carryforward is the amount multiplied by the statutory tax rate.

2. Reconciliation between the statutory tax rate and the effective income tax rate after applying tax effect accounting, and main causes of said differences

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Effective statutory tax rate	30.62%	30.62%
(Adjustments)		
Non-deductible entertainment expenses	0.23%	0.54%
Valuation allowances	(0.24)%	1.84%
Per capita inhabitant tax	0.81%	1.08%
Net loss of consolidated subsidiaries	0.09%	0.73%
Effect of foreign tax rate differences	(6.07)%	(10.07)%
Other	1.03%	(0.63)%
Income tax rate after application of tax effect accounting	26.47%	24.11%

(Business combinations)

Business combination through acquisition

1. Overview of business combination

(1) Name of acquired company and its business lines

a. Name of acquired company: Express Lifts Limited

Business lines: Manufacture, sale, installation, maintenance, and repair of elevators and escalators

b. Name of acquired company: Elevadores EV International, S.A. de C.V.

Business lines: Manufacture, sale, installation, maintenance, and repair of elevators and escalators

(2) Major reasons for business combination

a. The Company are aiming to further expand the Company's business in the Indian elevator and escalator market, which is expected to show notable growth. To achieve this, the Company have decided to acquire all outstanding shares of Express Lifts Limited, which has a plant near Ahmedabad in the western Indian state of Gujarat and boasts the top market share in the state, in order to further expand production capacity and strengthen the Company's business base.

b. The Company aims to further expand its business in the Americas. Elevadores EV International, S.A. de C.V. has a factory in Tijuana, Mexico, and has an extensive export record to North American elevator and escalator suppliers, as well as the top share among local brands in Mexico. The Company have decided to make the company a subsidiary in order to utilize the equipment it manufactures and thusly strengthen the Company's cost competitiveness and further expand business in North America.

Elevadores EV International, S.A. de C.V. is a non-consolidated subsidiary of the Company.

(3) Date of business combination

a. September 20, 2022 (share acquisition date)

September 30, 2022 (deemed acquisition date)

b. December 6, 2022 (share acquisition date)

December 31, 2022 (deemed acquisition date)

(4) Legal form of business combination

Acquisition of shares for cash

(5) Name of company after combination

a. No change. The company name was changed to Fujitec Express Limited on April 20, 2023.

b. No change.

(6) Percentage of voting rights acquired

a. 100%

b. 85%

(7) Main basis for deciding on the company for acquisition

a. The Company acquired the shares for cash through wholly owned subsidiary FUJITEC INDIA PRIVATE LTD.

b. The Company acquired the shares for cash.

2. Period of the acquired company's results included in the consolidated financial statements

From October 1, 2022 to December 31, 2022

3. Acquisition cost of the acquired company and breakdown by type of consideration

a. Consideration for acquisition:	Cash	1,785 million yen
<u>b. Consideration for acquisition:</u>	<u>Cash</u>	<u>1,407 million yen</u>
Total acquisition cost:	Cash	3,192 million yen.

4. Description and amount of major acquisition-related expenses

Fees and commissions paid to advisory firms: 77 million yen

5. Amount of goodwill incurred, reason for goodwill, amortization method, and amortization period

(1) Amount of goodwill incurred

1,496 million yen

The balance of goodwill is based on a provisional calculation since the Company have not completed identification of identifiable assets and liabilities as of the date of the business combination and the estimation of fair value, and the allocations of acquisition cost is not completed as of the end of the current consolidated fiscal year.

(2) Reason for goodwill

This is the excess earning power expected from future business development.

(3) Amortization method and amortization period

Straight-line amortization over 11 years

6. Amounts of assets acquired and liabilities assumed on the date of business combination and their breakdown

	(Millions of yen)
Current assets	594
Fixed assets	670
<u>Total assets</u>	<u>1,264</u>
Current liabilities	1,021
Non-current liabilities	29
<u>Total liabilities</u>	<u>1,051</u>

7. Estimated amount and calculation method of the effect of the business combination on the consolidated statements of income for the current consolidated fiscal year if the business combination were to have been completed at the beginning of the consolidated fiscal year

This information is not significant and is therefore omitted.

(Revenue recognition)

1. Disaggregation of revenues arising from contracts with customers

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments				Total
	Japan	East Asia	South Asia	The Americas and Europe	
New Installations	23,969	48,447	4,869	7,462	84,748
Aftermarket	48,978	19,704	11,616	19,680	99,979
Other	121	2,127	35	4	2,289
Revenues arising from contracts with customers	73,069	70,280	16,521	27,147	187,018
Sales to external customers	73,069	70,280	16,521	27,147	187,018

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segments				Total
	Japan	East Asia	South Asia	The Americas and Europe	
New Installations	25,183	48,750	9,183	9,324	92,442
Aftermarket	49,821	22,204	14,693	26,981	113,700
Other	30	1,148	246	20	1,445
Revenues arising from contracts with customers	75,035	72,103	24,123	36,326	207,589
Sales to external customers	75,035	72,103	24,123	36,326	207,589

(Note) Effective as of the current consolidated fiscal year, Fujitec Argentina S.A. is included in the scope of consolidation. Further, the Company changed the name of the reporting segment known previously North America and Europe to The Americas and Europe. The segment name post-change is also used for the information presented for the previous consolidated fiscal year.

2. Basic Information for Understanding Revenues

(1) New Installations

The Company performs new construction of elevators, escalators, and other equipment, recognizing revenue over a specified period of time based primarily on the percentage of completion measured as a ratio of actual costs incurred compared to total construction costs. The Company takes this approach as the construction work in question creates assets that cannot be converted to another use and the contract has an enforceable right to receive consideration for the completed portion of the work. Further, costs are incurred in accordance with the actual progress of the work, and the Company has determined that the degree of progress in satisfying performance obligations can be estimated reasonably based on inputs tied to costs incurred. The Company's new installation contracts include free maintenance services to be performed for a certain period of time after completion and delivery. The Company allocates the transaction price for such maintenance services as a separate performance obligation and recognizes revenue over time. Arm's length sales prices are estimated based on various factors, including market conditions and cost performance. Consideration for transactions is generally received within approximately one year from of the satisfaction of performance obligations.

(2) Aftermarket

The Company provides maintenance, repair and modernization services for elevators, escalators and other equipment. For maintenance work, the Company recognizes revenue over time, as the Company charge a fixed amount based on the duration of services rendered. For repair work, the Company recognizes revenue at the point in time in which work is completed. For

modernization projects, the Company recognizes revenue over a specified period of time based primarily on the percentage of completion measured as a ratio of actual costs incurred compared to total construction costs. The Company takes this approach as the construction work in question creates assets that cannot be converted to another use and the contract has an enforceable right to receive consideration for the completed portion of the work. Further, costs are incurred in accordance with the actual progress of the work, and the Company has determined that the degree of progress in satisfying performance obligations can be estimated reasonably based on inputs tied to costs incurred. The Company's modernization contracts include free maintenance services to be performed for a certain period of time after completion and delivery. The Company allocates the transaction price for such maintenance services as a separate performance obligation and recognizes revenue over time. Arm's length sales prices are estimated based on various factors, including market conditions and cost performance. Consideration for transactions is generally received within approximately one year from of the satisfaction of performance obligations.

(3) Other

The Company sells products primarily to foreign customers and recognizes revenue at a point in time in which delivery is completed.

3. Information for Understanding Revenue for the Current and Next Fiscal Years

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(1) Balance of contract assets, contract liabilities, etc.

(Millions of yen)

	Previous consolidated fiscal year	
	Beginning of period	End of period
Receivables arising from contracts with customers	49,456	52,494
Contract assets	11,125	13,629
Contract liabilities	19,960	22,428

Contract assets relate to the rights of the Company or subsidiaries to consideration for goods or services for which the Company or subsidiaries have satisfied or partially satisfied performance obligations under new installation and modernization contracts as of the balance sheet date, but for which invoices have yet to be issued. The Company or subsidiaries reclassifies contract assets to accounts receivable when the rights to consideration become unconditional. Consideration for new installation and modernization contracts is billed on a milestone basis. Some amounts may be received prior to the satisfaction of performance obligations.

Contract liabilities represent unearned consideration received from customers in advance of the performance of contracts for goods or services provided by the Company and consolidated subsidiaries. The liability is reversed as revenue is recognized for the contracts related to said unearned consideration.

Of the beginning balance of contract liabilities, 13,221 million yen was recognized as revenue during the period.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations as of March 31, 2022 was 162,674 million yen. The Company expects the remaining performance obligations to be satisfied generally within three years. The Company applied the practical expedient method in the notes related to transaction prices allocated to remaining performance obligations. The notes do not include contracts for fixed amounts based on service time rendered for services for which revenue is recognized in accordance with Paragraph 19 of Implementation Guidance on Accounting Standard for Revenue Recognition.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(1) Balance of contract assets, contract liabilities, etc.

(Millions of yen)

	Current consolidated fiscal year	
	Beginning of period	End of period
Receivables arising from contracts with customers	52,718	59,128
Contract assets	13,629	16,416
Contract liabilities	22,693	21,010

Contract assets relate to the rights of the Company or subsidiaries to consideration for goods or services for which the Company or subsidiaries have satisfied or partially satisfied performance obligations under new installation and modernization contracts as of the balance sheet date, but for which invoices have yet to be issued. The Company or subsidiaries reclassifies contract assets to accounts receivable when the rights to consideration become unconditional. Consideration for new installation and modernization contracts is billed on a milestone basis. Some amounts may be received prior to the satisfaction of performance obligations.

Contract liabilities represent unearned consideration received from customers in advance of the performance of contracts for goods or services provided by the Company and consolidated subsidiaries. The liability is reversed as revenue is recognized for the contracts related to said unearned consideration.

Of the beginning balance of contract liabilities, 15,074 million yen was recognized as revenue during the period.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations as of March 31, 2023 was 172,848 million yen. The Company expects the remaining performance obligations to be satisfied generally within three years. The Company applied the practical expedient method in the notes related to transaction prices allocated to remaining performance obligations. The notes do not include contracts for fixed amounts based on service time rendered for services for which revenue is recognized in accordance with Paragraph 19 of Implementation Guidance on Accounting Standard for Revenue Recognition.

(Segment and Other Information)

[Segment Information]

1. Overview of reportable segments

The Fujitec Group's reportable segments are units of the group whose financial information is available separately and are reviewed regularly by the Fujitec Co., Ltd. board of directors for determining the distribution of management resources and the evaluation of business performance.

The Fujitec Group is engaged mainly in the production, sales, installation, and maintenance of elevators, escalators, and other products. Fujitec Co., Ltd. is in charge of businesses in Japan, while independent local subsidiaries are in charge of overseas businesses in East Asia (China, Hong Kong, Taiwan, and South Korea), South Asia (mainly Singapore and India), and The Americas and Europe (the United States, Canada, Argentina, and the United Kingdom).

Accordingly, the Fujitec Group consists of regional segments based on an integrated system of production, sales, installation, and maintenance, representing four reportable segments: (1) Japan, (2) East Asia, (3) South Asia, and (4) The Americas and Europe.

Effective as of the current consolidated fiscal year, Fujitec Argentina S.A. is included in the scope of consolidation. Further, the Company changed the name of the reporting segment known previously North America and Europe to The Americas and Europe. The segment name post-change is also used for the information presented for the previous consolidated fiscal year.

2. Method of calculating net sales, profit (loss), assets, liabilities, and other items of each reportable segment

The accounting treatment for each reportable segment is essentially the same as that described under Material basis for preparing consolidated financial statements. Profit for each reportable segment reflects figures based on operating income.

Intersegment internal revenues and transfers are based on prevailing market prices.

3. Information on net sales, profit (loss), assets, liabilities, and other items of each reportable segment

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments					Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Japan	East Asia	South Asia	The Americas and Europe	Total		
Net sales							
Sales to external customers	73,069	70,280	16,521	27,147	187,018	-	187,018
Intersegment sales/transfers	2,487	8,183	1	38	10,711	(10,711)	-
Total	75,556	78,463	16,522	27,186	197,729	(10,711)	187,018
Segment income	5,440	5,165	2,053	1,128	13,788	(10)	13,777
Segment assets	93,381	109,620	25,630	19,337	247,969	(27,360)	220,609
Other items							
Depreciation and amortization	1,932	895	265	250	3,343	-	3,343
Amortization of goodwill	-	-	-	117	117	-	117
Impairment loss	30	-	-	-	30	-	30
Increase in property, plant and equipment and intangible assets	2,302	545	1,045	194	4,088	-	4,088

(Notes) 1. Adjustments are as follows:

(1) Segment income adjustment of (10) million yen is due to inventory adjustments.

(2) Segment asset adjustments of (27,360) million yen include eliminations of intersegment transactions of (27,197) million yen and inventory adjustments of (162) million yen.

2. Segment income has been adjusted to operating income on the consolidated statements of income.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segments					Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Japan	East Asia	South Asia	The Americas and Europe	Total		
Net sales							
Sales to external customers	75,035	72,103	24,123	36,326	207,589	-	207,589
Intersegment sales/transfers	2,471	10,824	5	35	13,336	(13,336)	-
Total	77,507	82,927	24,128	36,361	220,925	(13,336)	207,589
Segment income	2,111	4,486	3,544	1,525	11,668	(48)	11,619
Segment assets	94,584	106,178	35,660	23,642	260,065	(29,967)	230,098
Other items							
Depreciation and amortization	2,143	957	338	590	4,029	-	4,029
Amortization of goodwill	-	-	35	81	117	-	117
Impairment loss	99	-	-	1,046	1,146	-	1,146
Increase in property, plant and equipment and intangible assets	2,703	178	851	793	4,527	-	4,527

(Notes) 1. Adjustments are as follows:

- (1) Segment income adjustments of (48) million yen include eliminations of intersegment transactions of 6 million yen and inventory adjustments of (55) million yen.
 - (2) Segment asset adjustments of (29,967) million yen include eliminations of intersegment transactions of (29,766) million yen and inventory adjustments of (201) million yen.
2. Segment income has been adjusted to operating income on the consolidated statements of income.

Related Information

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

The main business of the Fujitec Group is the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment. In the elevator and escalator market, the Group provides equipment from new installation to maintenance as an integrated service. Information by product and service is omitted, as sales to external customers exceed 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	East Asia	South Asia	The Americas and Europe, Other	Total
72,983	68,253	17,142	28,639	187,018

- (Notes) 1. Net sales are classified into the country or region where the customer in question is located.
2. China accounts for 49,236 million yen of East Asia results.
3. The United States accounts for 19,628 million yen of the Americas and Europe, Other results.

(2) Property, plant and equipment

(Millions of yen)

Japan	East Asia	South Asia	The Americas and Europe	Total
23,426	8,720	2,455	681	35,283

- (Note) China accounts for 5,150 million yen of East Asia results.

3. Information by major customer

This information is omitted as there are no external customers who accounted for over 10% of sales in the consolidated statements of income.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

1. Information by product and service

The main business of the Fujitec Group is the production, sales, installation, and maintenance of elevators, escalators, and electric transport equipment. In the elevator and escalator market, the Group provides equipment from new installation to maintenance as an integrated service. Information by product and service is omitted, as sales to external customers exceed 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	East Asia	South Asia	The Americas and Europe, Other	Total
75,005	71,053	24,370	37,159	207,589

- (Notes) 1. Net sales are classified into the country or region where the customer in question is located.
2. China accounts for 49,150 million yen of East Asia results.
3. The United States accounts for 25,177 million yen of the Americas and Europe, Other results.

(2) Property, plant and equipment

(Millions of yen)

Japan	East Asia	South Asia	The Americas and Europe	Total
23,889	8,594	3,691	2,330	38,506

(Note) China accounts for 4,964 million yen of East Asia results.

3. Information by major customer

This information is omitted as there are no external customers who accounted for over 10% of sales in the consolidated statements of income.

[Information related to impairment of fixed assets by reportable segment]

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Japan	East Asia	South Asia	The Americas and Europe	Corporate and Eliminations	Total
Impairment loss	30	-	-	-	-	30

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Japan	East Asia	South Asia	The Americas and Europe	Corporate and Eliminations	Total
Impairment loss	99	-	-	1,046	-	1,146

[Information on Amortization and Unamortized Balance of Goodwill per Reporting Segment]

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Japan	East Asia	South Asia	The Americas and Europe	Corporate and Eliminations	Total
Balance at the end of the previous fiscal year	-	-	-	1,227	-	1,227

(Note) Information on amortization of goodwill is omitted as similar information is provided under segment information.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Japan	East Asia	South Asia	The Americas and Europe	Corporate and Eliminations	Total
Balance at the end of the current fiscal year	-	-	1,462	149	-	1,612

(Note) Information on amortization of goodwill is omitted as similar information is provided under segment information.

Information on gain on negative goodwill by reporting segment

Previous consolidated fiscal year and current consolidated fiscal year

Not applicable.

[Related-Party Information]

1. Related-party transactions

(1) Transactions between the company submitting consolidated financial statements and related parties

Officers and major shareholders(restricted to individuals only.) of the company submitting consolidated financial statements

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

Class	Name of Company/Organization/Individual	Location	Paid-in capital or Investments in capital (Millions of yen)	Business Line/Business	Ratio of voting rights held (ownership) (%)	Relationship	Details of transaction	Transaction value (Millions of yen)	Account	Period-end balance (Millions of yen)
Companies in which directors and/or their relatives hold more than one-half of voting rights	Santo Co., Ltd. (Note 1)	Kita-ku Osaka	10	Real estate leasing, buying, and selling Investments and management for securities	Ownership of Company stock 1.31, direct	Real estate leasing	Building leasing (Note 2)	38	Security deposits	8
							Purchase and sale of land, buildings, etc. (Note 2)	342	-	-

(Notes) 1. Close relatives of Company president and chief executive officer Takakazu Uchiyama hold 90% of voting rights directly.

2. Conditions and policies for determining transactions

Rents and sales are determined in reference to nearby transaction prices.

3. Company president and chief executive officer Takakazu Uchiyama retired from his position as Company president and chief executive officer as of the 75th Ordinary General Meeting of Shareholders held June 23, 2022.

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

(2) Transactions between the company and consolidated subsidiaries or related parties

Previous consolidated fiscal year and current consolidated fiscal year

No matters to note.

2. Notes on parent company or significant affiliates

Not applicable.

(Per-Share Information)

(Yen)

Item	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net assets per share	1,549.83	1,640.29
Net income per share	133.42	106.67
Diluted net income per share	133.36	106.62

Note 1. In calculating the number of shares of common stock and average number of shares of common stock during the period used as a basis for the calculation per-share information, treasury shares deducted for said calculation include Fujitec Co., Ltd. stock (197,500 shares as of the end of the previous consolidated fiscal year; 51,400 shares as of the end of the current consolidated fiscal year under review) held as a trust-type employee shareholding incentive plan (E-Ship). The average number of Fujitec Co., Ltd. shares held in the trust was 280,515 shares in the previous consolidated fiscal year and 124,154 shares in the current consolidated fiscal year under review.

2. The basis for calculating net income per share and diluted net income per share is shown in the table below.

Item	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	10,835	8,433
Amounts not attributable to shareholders of common stock (Millions of yen)	-	-
Profit attributable to common stock owners of parent (Millions of yen)	10,835	8,433
Average number of outstanding shares of common stock (Thousand shares)	81,213	79,062
Diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	-	-
Increase in number of common stock (Thousand shares)	38	38
(Stock acquisition rights included) (Thousand shares)	(38)	(38)
Outline of dilutive stock not included in calculation of diluted net income per share due to anti-dilutive effect	-	-

3. The basis for calculating net assets per share is shown in the table below.

Item	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Total net assets (Millions of yen)	140,482	144,118
Amount deducted from total net assets (Millions of yen)	15,000	16,220
(Stock acquisition rights included) (Millions of yen)	(35)	(35)
(Non-controlling interests included) (Millions of yen)	(14,964)	(16,185)
Net assets attributable to common stock at the end of the fiscal year (Millions of yen)	125,482	127,897
Number of common stock at the end of the fiscal year used to calculate net assets per share (Thousand shares)	80,965	77,972

(Significant subsequent events)

(Transfer of fixed assets)

On July 18, 2023, consolidated subsidiary FUJITEC (HK) Company Limited had transferred the fixed assets.

1. Reasons for transfer

Fujitec (HK) Company Limited received a request from the real estate developer in Hong Kong to sell property owned by Fujitec (HK) Company Limited; however, terms and conditions of the transfer could not be agreed upon. Therefore, the real estate developer filed a complaint with the Lands Tribunal. The Lands Tribunal recently concluded and ordered the transfer of said property. After a subsequent round of negotiations with the real estate developer, an agreement had been reached and the property had been transferred.

2. Details of transfer

Location	Wah Ha Factory Building, No.8 Shipyard Lane, Hong Kong
Type of assets	Building and land use rights (1,181m ²)
Present condition	Warehouse
Date of transfer	July, 18, 2023
Transfer price	Approximately 5.3 billion yen

3. Overview of the transferee

Name of transferee: China Orchid International Limited

There are no capital, business, or related party relationships between the Company or consolidated subsidiaries and the transferee that should be noted.

4. Impact on profit and loss

The Company plans to record an extraordinary gain of approximately 5.2 billion yen in gain on sales of property, plant and equipment for the third quarter of the fiscal year ending March 31, 2024, to which the transfer date corresponds, because the end of fiscal year in FUJITEC (HK) Company Limited is different from the consolidated closing date.

e. [Consolidated Supplementary Schedules]

[Corporate Bond Schedule]

Not applicable.

[Schedule of Borrowings]

Classification	Beginning of period (Millions of yen)	End of period (Millions of yen)	Average interest rate (%)	Due date
Short-term debt	3,493	9,789	2.28	-
Current portion of long-term debt	-	6	9.75	-
Current portion of lease obligations	275	560	-	-
Long-term debt (excludes current portion)	381	13	9.75	August 2025
Lease obligations (excludes current portion)	355	1,515	-	August 2032
Other interest-bearing debt	-	-	-	-
Total	4,505	11,886	-	-

(Notes) 1. Average interest rate is the weighted average interest rate for the borrowings fiscal end of the period.

2. Average interest rate for lease obligations omitted, as lease obligations are recorded on the consolidated balance sheets at the amount before deducting amounts equivalent to interest included in total lease payments.

3. Scheduled repayments for long-term debt and lease obligations (excluding current portion) for the five years following the consolidated balance sheet date are as described below.

Classification	Between one and two years (Millions of yen)	Between two and three years (Millions of yen)	Between three and four years (Millions of yen)	Between four and five years (Millions of yen)
Long-term debt	7	6	-	-
Lease obligations	391	285	243	228

[Schedule of Asset Retirement Obligations]

Information is omitted pursuant to Article 92-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, as the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1/100 of the total liabilities and net assets at the beginning and end of the current consolidated fiscal year.

(2) [Other]

Quarterly information for the current consolidated fiscal year:

(Year-to-date)	1st quarter	2nd quarter	3rd quarter	Year end
Net sales (Millions of yen)	41,705	93,221	150,755	207,589
Profit before income taxes (Millions of yen)	2,984	6,472	8,527	12,436
Profit attributable to owners of parent (Millions of yen)	2,845	4,596	5,084	8,433
Net income per share (Yen)	35.50	57.61	64.04	106.67

(Fiscal year)	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share (Yen)	35.50	22.04	6.21	42.91

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fujitec Co., Ltd.

Opinion

We have audited the consolidated financial statements of Fujitec Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the Consolidated Balance Sheets as at March 31, 2023, and the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note to the consolidated financial statements, which describes the significant subsequent events, on July 18, 2023, FUJITEC (HK) Company Limited had transferred the fixed assets. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Fujitec Report and Financial Report, but does not include the consolidated financial statements and our auditor's report thereon. The Fujitec Report and Financial Report is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's other information reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Grant Thornton Taiyo LLC

Grant Thornton Taiyo LLC

Osaka, Japan

10, August, 2023